

**MARSHALL COUNTY EMERGENCY**  
**COMMUNICATIONS DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2014**

**D. GREGORY JOHNSON**  
CERTIFIED PUBLIC ACCOUNTANT

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014**

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**D. GREGORY JOHNSON**  
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4<sup>TH</sup> STREET, SUITE B  
COLUMBIA, TENNESSEE 38401

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TELEPHONE 931-381-7010  
FAX 931-381-3752

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Marshall County Emergency Communications District  
Lewisburg, Tennessee

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Marshall County Emergency Communications District, a component unit of Marshall County, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marshall County Emergency Communications District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

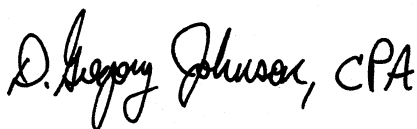
My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marshall County Emergency Communications District's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 12, 2015, on my consideration of the Marshall County Emergency Communications District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County Emergency Communications District's internal control over financial reporting and compliance.



D. Gregory Johnson, CPA  
Columbia, Tennessee  
February 12, 2015

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS  
YEAR ENDED JUNE 30, 2014**

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**Management Officials**

Linda Haislip  
Administrative Assistant / GIS Address Coordinator

**Board of Directors**

Chris Gilbert, Board Chairman  
Robert Hopkins, Vice Chairman  
Bill Reuter, Secretary/Treasurer  
Chuck Forbis, Member  
Norman Dalton, Member  
Randall Dunn, Member  
Joe Rozell, Member  
Larry Williams, Member  
Steve Calahan, Member

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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As management of the Marshall County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

**Financial Highlights**

The assets of the District exceeded its liabilities at June 30, 2014, by \$2,257,118. Of this amount, \$512,247 is invested in capital assets and \$1,744,871 is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the District's policies. The District's total net position increased by \$241,090 for the year ended June 30, 2014.

**Overview of the Financial Statements**

The District's financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, which includes the notes to the financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding the Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operation presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements, which are described as follows:

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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- The statement of net position presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at yearend.
- The statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year.
- The statement of cash flows presents changes in the cash and cash equivalents, resulting from operations, capital and related financing activities, investing activities, and noncapital financing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. The District is providing condensed financial information for fiscal 2014 and 2013 for comparative analysis. A summary of the District's net position and changes thereon is presented on the following page.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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SUMMARIZED FINANCIAL INFORMATION  
YEARS ENDED JUNE 30th

NET POSITION				
	2014	2013	Dollar Change	Percentage Change
Current assets	\$ 1,746,579	\$ 1,522,835	\$ 223,744	14.7%
Capital assets	512,247	493,273	18,974	3.8%
Total assets	2,258,826	2,016,108	242,718	12.0%
Current liabilities	1,708	80	1,628	2035.0%
Net position	<u>\$ 2,257,118</u>	<u>\$ 2,016,028</u>	<u>\$ 241,090</u>	12.0%
Summary of net position -				
Net investment in capital assets	\$ 512,247	\$ 493,273	\$ 18,974	3.8%
Unrestricted	1,744,871	1,522,755	222,116	14.6%
	<u>\$ 2,257,118</u>	<u>\$ 2,016,028</u>	<u>\$ 241,090</u>	12.0%

CHANGES IN NET POSITION				
Revenues	\$ 439,373	\$ 560,807	\$ (121,434)	-21.7%
Operating expenses	523,935	465,950	57,985	12.4%
Operating income (loss)	(84,562)	94,857	(179,419)	-189.1%
Nonoperating revenues net of expenses	325,652	6,753	318,899	-4722.3%
Changes in net position	241,090	101,610	139,480	137.3%
Net position, beginning of year	2,016,028	1,914,418	101,610	5.3%
Net position, end of year	<u>\$ 2,257,118</u>	<u>\$ 2,016,028</u>	<u>\$ 241,090</u>	12.0%



**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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**Analysis of Financial Position and Results of Operations**

As can be seen from the summarized financial information on the previous page, the District's total assets have increased \$242,718 during the year ended June 30, 2014, which includes a \$50,356 increase in cash, a \$190,712 increase in certificates of deposit, a \$14,056 decrease in receivables, and a \$3,268 decrease in prepaid expenses. Net capital assets increased \$18,974 as a result of additions to depreciation of \$174,794 with net additions to fixed assets of \$193,768. Net position increased \$241,090 for the year ended June 30, 2014. In the current year, the District's total operating revenue decreased by 21.7% due mainly to decreases in collections of AT&T revenue. Total expenses for the District increased 12.4% due primarily to increases in leased equipment and telephone costs and depreciation on new equipment placed in service.

**The District's Net Position**

The District completed the year with a net position of \$2,257,118, which is \$241,090 more than the prior year's ending net position of \$2,016,028. The net position at June 30, 2014, consists of \$512,247 invested in capital assets, and \$1,744,871 unrestricted and undesignated.

**Budgetary Highlights**

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the District's board on a cash basis. There were revisions made to the 2013/2014 budget as need arose for adjustments.

In March 2014 the budget was amended to correct line item 1308 (communications equipment) to \$193,768 because we knew we were going to purchase new equipment from InterAct and PowerPhone.

In June 2014, the 2013/2014 budget was amended to equal the actual operating expenses at yearend. The communications equipment expenditures budget was amended and reduced to \$151,546 in error, which resulted in an over expenditure of \$42,222 in capital expenditures.

**Capital Assets**

The District's current investment in capital assets amounts to \$512,247 (net of accumulated depreciation). Capital assets include communications equipment, tower equipment, leasehold improvements, as well as office furniture and office equipment. Current year additions amounted to \$193,768, and there were no retirements in the year ended June 30, 2014.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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**Capital Assets (continued)**

Below is a summary of capital assets as of June 30, 2014:

Capital Assets at June 30, 2014 and 2013  
(Net of Accumulated Depreciation)

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 14,466	\$ 21,349
Communications equipment	492,697	463,079
Tower equipment	2,914	6,047
Office equipment	-	112
Stored equipment	-	96
Leasehold improvements	<u>2,170</u>	<u>2,590</u>
Total	<u><u>\$ 512,247</u></u>	<u><u>\$ 493,273</u></u>

**Economic Factors and Future Needs**

The District's primary source of revenue is telephone surcharge rates which were last increased in 2005. That increase in surcharge rates was in effect through June 2014.

Effective January 1, 2015, all surcharge revenues from telephone companies that have been paid to the districts in the past will be paid directly to the TECB as stipulated in the new 911 Funding Modernization Act. The TECB has already calculated the base funding for each district. The TECB will use this calculation to distribute and direct deposit these revenues into the districts' bank accounts bi-monthly with the first direct deposit beginning February 2015.

**Request for Information**

This financial report is designed to provide a general overview of the Marshall County Emergency Communications District's finances for those interested parties. If you have questions about this report or need additional information, contact Linda Haislip, Administrative Assistant, Marshall County Emergency Communications District, P.O. Box 2786, Lewisburg, Tennessee 37091.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 919,469
Certificates of deposit	750,000
Accounts receivable	16,135
Accrued interest receivable	696
Due from Tennessee Emergency Communications Board	41,141
Prepaid expenses	19,138
	<hr/>
Total current assets	1,746,579

**Capital assets**

Furniture and fixtures	63,859
Communications equipment	1,325,451
Tower equipment	110,783
Office equipment	8,003
Stored equipment	246,418
Leasehold improvements	4,200
	<hr/>
	1,758,714
Less accumulated depreciation	<hr/> (1,246,467)
	<hr/>
Total capital assets	512,247
	<hr/>
Total assets	\$ 2,258,826

**LIABILITIES AND NET POSITION**

**Current liabilities**

Accrued liabilities	<hr/> \$ 1,708
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**Net position**

Net investment in capital assets	512,247
Unrestricted	1,744,871
	<hr/>
Total net position	2,257,118
	<hr/>
Total liabilities and net position	\$ 2,258,826

The accompanying notes are an integral part of these financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

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**Operating revenue**

Emergency telephone service charges	\$ 193,737
State emergency communications board - shared wireless	78,422
State emergency communications board - operational funding	<u>167,214</u>
Total revenue	<u>439,373</u>

**Operating expenses**

Salaries and wages	55,545
Employee benefits	4,276
Contracted services	191,915
Supplies and materials	76,977
Other charges	20,428
Depreciation	<u>174,794</u>

Total operating expenses	<u>523,935</u>
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Net operating loss	<u>(84,562)</u>
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**Nonoperating revenue (expense)**

Interest income	5,962
Grants and reimbursements	<u>319,690</u>
Net nonoperating income	<u>325,652</u>

<b>Increase in net position</b>	<b>241,090</b>
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<b>Net position, beginning of year</b>	<b><u>2,016,028</u></b>
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<b>Net position, end of year</b>	<b><u><u>\$ 2,257,118</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

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**Cash flows from operating activities**

Receipts from surcharges	\$ 453,430
Payments to suppliers	(286,133)
Payments to employees	(58,113)
	<u>109,184</u>

Net cash provided by operating activities

**Cash flows from noncapital financing activities**

Proceeds from grants and reimbursements	<u>319,690</u>
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**Cash flows from capital and related financing activities**

Purchases of capital assets	<u>(193,768)</u>
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**Cash flows from investing activities**

Interest income	5,962
Purchases of certificates of deposit	(190,712)
	<u>(184,750)</u>

Net cash used by investing activities

**Net increase in cash and cash equivalents** 50,356

**Cash and cash equivalents, beginning of year** 869,113

**Cash and cash equivalents, end of year** \$ 919,469

**Reconciliation of net operating loss to net cash flows from operating activities**

Net operating loss	\$ (84,562)
Adjustments to reconcile net operating loss to net cash provided by operating activities	
Depreciation	174,794
Decrease in accounts receivable	14,673
Increase in due from Tennessee Emergency Communications Board	(617)
Decrease in prepaid expenses	3,268
Decrease in accounts payable	(80)
Increase in accrued expenses	<u>1,708</u>

**Net cash provided by operating activities** \$ 109,184

The accompanying notes are an integral part of these financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Marshall County Emergency Communications District (the District) was organized under Tennessee law for the purpose of providing an emergency number to shorten the time required for residents of Marshall County, Tennessee to request emergency services. The District is governed by a board of directors appointed by the Board of Commissioners of Marshall County.

The District is a discretely presented component unit of Marshall County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Marshall County, Tennessee financial report. The District is considered a discretely presented component unit of Marshall County as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14, because the district would be unable to issue debt without approval of Marshall County, Tennessee.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets and unrestricted components.

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are emergency telephone service charges to residents for providing emergency 911 services. Operating expenses include payroll expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Outflows/Inflows of Resources

The District has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement was implemented retroactively and resulted in a change in the presentation of the balance sheets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

For the year ended June 30, 2014, the District had neither a deferred inflow nor outflow of resources.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, Marshall County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Capital assets are defined by the District as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is provided for in amounts sufficient to relate the cost of the assets to operations over their estimated service lives using the straight-line method of depreciation. Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	10 - 40 years
Furniture and fixtures	5 - 10 years
Office equipment	3 - 10 years
Communications equipment	5 - 10 years
Tower equipment	7 - 15 years
Stored equipment	5 - 10 years

Income Taxes

Marshall County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

Budgetary Data

The District is required by state statute to adopt an annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenses must be presented at the legal level of control, which is defined to be at the line-item level. The District utilizes cash basis accounting for the budget as depreciation is not budgeted, and outlays for capital items are budgeted as expenses. Therefore, the budget is not intended to be presented in accordance with generally accepted accounting principles. The budget may be amended by the Board as conditions warrant throughout the year.

Compensated Absences

It is the policy of the District that unused leave at the end of a fiscal year does not carry over to the next year. Vacation and sick leave expenditures are recognized when paid. Therefore, no accrual for accumulated unpaid leave is necessary.

Date of Management's Review

Subsequent events were evaluated through February 12, 2015, which is the date the financial statements were available to be issued.



**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE B – CASH AND DEPOSITORY COLLATERAL**

The District's current policies limit deposit of funds to accounts with commercial banks which are required to pledge securities as collateral for the deposits should they be in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. The financial institutions used by the District are participants in the Tennessee Collateral Pool, which was established to provide security for public funds deposits in excess of FDIC coverage. At yearend, the District's deposits of cash and certificates of deposit were fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

State statutes authorize the District to invest in (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

The District has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow the State of Tennessee statutes as described above.

**NOTE C – CERTIFICATES OF DEPOSIT**

At June 30, 2014, certificates of deposit are as follows:

First Commerce Bank, 0.55% maturing April 15, 2016	\$ 226,557
First Commerce Bank, 0.20% maturing May 29, 2016	23,443
Bank of Camden, 0.40% maturing December 19, 2014	85,741
Bank of Camden, 0.60% maturing May 29, 2016	164,259
Bank of Frankewing, 0.30% maturing June 30, 2016	250,000
	<u>\$ 750,000</u>

**NOTE D – ACCOUNTS RECEIVABLE**

The following schedule reflects the components of accounts receivable as of June 30, 2014:

Emergency telephone service charges	<u>\$ 16,135</u>
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**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**NOTE E – DUE FROM TENNESSEE EMERGENCY COMMUNICATIONS BOARD**

At June 30, 2014, amounts due from the Tennessee Emergency Communications Board were as follows:

Shared wireless amounts - May and June 2014	\$ 13,272
Operational funding - May and June 2014	<u>27,869</u>
	<u><u>\$ 41,141</u></u>

**NOTE F – PREPAID LEASE**

The District entered into an agreement with the City of Lewisburg, Tennessee on October 10, 1996 for leased space. The agreement is for 20 years and the consideration was \$2,000 per year, which could be paid in advance. The District paid the full \$40,000 in advance. The yearly cost is expensed to leased facilities. The City will house the 911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

**NOTE G – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is presented below:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Furniture and fixtures	\$ 63,859	\$ -	\$ -	\$ 63,859
Communications equipment	1,131,683	193,768	-	1,325,451
Tower equipment	110,783	-	-	110,783
Office equipment	8,003	-	-	8,003
Stored equipment	246,418	-	-	246,418
Leasehold improvements	4,200	-	-	4,200
Total cost	<u>1,564,946</u>	<u>193,768</u>	<u>-</u>	<u>1,758,714</u>
Less accumulated depreciation for:				
Furniture and fixtures	(42,510)	(6,883)	-	(49,393)
Communications equipment	(668,604)	(164,150)	-	(832,754)
Tower equipment	(104,736)	(3,133)	-	(107,869)
Office equipment	(7,891)	(112)	-	(8,003)
Stored equipment	(246,322)	(96)	-	(246,418)
Leasehold improvements	(1,610)	(420)	-	(2,030)
Total accumulated depreciation	<u>(1,071,673)</u>	<u>(174,794)</u>	<u>-</u>	<u>(1,246,467)</u>
Capital assets, net	<u>\$ 493,273</u>	<u>\$ 18,974</u>	<u>\$ -</u>	<u>\$ 512,247</u>

Depreciation charged to expense for the current year amounted to \$174,794.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE H – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2014, consist of the following:

Accrued payroll taxes	<u>\$ 1,708</u>
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**NOTE I – MAJOR REVENUE SOURCES**

Revenue for operation and maintenance of the Marshall County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The surcharge is collected by AT&T Telephone Company and remitted to the District monthly less a 3% administrative fee. In the current year, revenue from AT&T Telephone Company represented approximately 20% of total operating revenue. The Tennessee Emergency Communications Board collects the revenue from wireless phone users and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census. The Tennessee Emergency Communications Board also distributes additional amounts as part of the operational funding program to assist districts with the basic costs of 911 service.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2014, the District was insured against potential losses associated with these risks through the purchase of commercial insurance for management and property liability. The Chairman, Secretary/Treasurer, and Addressing Coordinator/Bookkeeper are covered by surety bonds. There have been no losses in excess of insurance coverage during the last three years.

## **SUPPLEMENTARY INFORMATION**

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF OPERATING EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

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**Salaries and Wages**

Administrative assistant / GIS address coordinator	\$ 55,545
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**Employee Benefits**

Social security	3,444
Medicare	805
Unemployment tax	27
	<u>4,276</u>

**Contracted Services**

Address and mapping	2,962
Audit services	4,000
Leased communications equipment	77,878
Leased facilities	2,000
Legal services	9,922
Maintenance agreements	68,377
Other contracted services	22,192
Repairs - communications equipment	4,584
	<u>191,915</u>

**Supplies and Materials**

Office supplies	708
Postage	226
Small equipment purchases	2,698
Utilities	
Electric and gas	1,582
General telephone	71,763
	<u>76,977</u>

**Other Charges**

Bank charges	115
Board meeting expenses	271
Dues and memberships	700
Insurance	
Liability	7,114
Surety bond	1,128
Training	2,098
Travel	9,002
	<u>20,428</u>

**Depreciation**

174,794

\$ 523,935

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Cash Basis)</b>	<b>Variance With Final Favorable (Unfavorable)</b>
<b>Operating revenue</b>				
Emergency telephone service charges	\$ 196,840	\$ 208,471	\$ 208,230	\$ (241)
State emergency communications board - shared wireless	74,200	77,986	77,986	-
State emergency communications board - operational funding	167,214	167,214	167,214	-
	<u>438,254</u>	<u>453,671</u>	<u>453,430</u>	<u>(241)</u>
<b>Operating expenses</b>				
Salaries and wages				
Admin. assist./GIS address coordinator	55,545	55,545	55,545	-
Other salaries and wages	5,000	-	-	-
	<u>60,545</u>	<u>55,545</u>	<u>55,545</u>	<u>-</u>
Employee benefits				
Social security	3,279	3,279	2,870	409
Medicare	767	767	671	96
Unemployment tax	54	54	27	27
	<u>4,100</u>	<u>4,100</u>	<u>3,568</u>	<u>532</u>
Contracted services				
Accounting services	500	-	-	-
Address and mapping	3,000	2,962	2,962	-
Advertising	150	150	-	150
Audit services	4,000	4,000	4,000	-
Leased communications equipment	76,673	76,673	76,673	-
Legal services	9,925	9,925	9,922	3
Maintenance agreements	74,969	68,119	68,119	-
Other contracted services	22,500	22,500	22,500	-
Other consultants	3,000	-	-	-
Repairs - communications equipment	20,000	4,585	4,584	1
Repairs - office equipment	2,000	-	-	-
	<u>216,717</u>	<u>188,914</u>	<u>188,760</u>	<u>154</u>

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Cash Basis)</b>	<b>Variance With Final Favorable (Unfavorable)</b>
Supplies and materials				
Office supplies	600	708	708	-
Postage	350	350	226	124
Small equipment purchases	20,000	2,780	2,778	2
Utilities				
Electric and gas	2,350	1,930	1,582	348
General telephone	63,140	71,763	71,763	-
	<u>86,440</u>	<u>77,531</u>	<u>77,057</u>	<u>474</u>
Other charges				
Bank charges	100	115	115	-
Board meeting expenses	350	272	271	1
Dues and memberships	1,000	700	700	-
Insurance				
Liability	7,468	7,336	7,336	-
Surety bond	1,400	1,100	1,021	79
Training	16,000	2,000	1,871	129
Travel	15,000	15,000	9,002	5,998
	<u>41,318</u>	<u>26,523</u>	<u>20,316</u>	<u>6,207</u>
Total operating expenses	<u>409,120</u>	<u>352,613</u>	<u>345,246</u>	<u>7,367</u>
Operating revenues in excess of expenses	<u>29,134</u>	<u>101,058</u>	<u>108,184</u>	<u>7,126</u>
<b>Nonoperating revenue (expenses)</b>				
Interest income	7,400	6,000	5,962	(38)
Grants and reimbursements	249,397	319,690	319,690	-
Capital expenditures	<u>(150,000)</u>	<u>(151,546)</u>	<u>(193,768)</u>	<u>(42,222)</u>
Total nonoperating revenue (expenses)	<u>106,797</u>	<u>174,144</u>	<u>131,884</u>	<u>(42,260)</u>
<b>Increase (decrease) in budgetary net position</b>	<u><u>\$ 135,931</u></u>	<u><u>\$ 275,202</u></u>	<u><u>\$ 240,068</u></u>	<u><u>\$ (35,134)</u></u>

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

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**Budget to Actual Reconciliation**

Increase in budgetary net position	\$ 240,068
Capital expenditures	193,768
Depreciation not budgeted	(174,794)
Accrual adjustment for accounts receivable	(14,673)
Accrual adjustment for grants due from TECB	617
Accrual adjustment for prepaid expenses	(3,268)
Accrual adjustment for accounts payable	80
Accrual adjustment for accrued liabilities	(708)
	<hr/>
Actual increase in net position	<u><u>\$ 241,090</u></u>

See auditor's report.



**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2014**

<b>Program</b>	<b>Grantor Agency</b>	<b>Receivable (Deferred) Balance June 30, 2013</b>	<b>Grant Receipts</b>	<b>Expenditures</b>	<b>Receivable (Deferred) Balance June 30, 2014</b>
Next Generation 911	Tennessee Emergency Communications Board	\$ -	\$ 244,177	\$ 244,177	\$ -
GIS	Tennessee Emergency Communications Board	-	59,513	59,513	-
Training	Tennessee Emergency Communications Board	-	16,000	16,000	-
		<u>\$ -</u>	<u>\$ 319,690</u>	<u>\$ 319,690</u>	<u>\$ -</u>

**Basis of Presentation**

The schedule of state financial assistance presents the grant activity of the Marshall County Emergency Communications District in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements.

See auditor's report.

**D. GREGORY JOHNSON**  
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4<sup>TH</sup> STREET, SUITE B  
COLUMBIA, TENNESSEE 38401

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TELEPHONE 931-381-7010  
FAX 931-381-3752

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**  
**BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Marshall County Emergency Communications District  
Lewisburg, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall County Emergency Communications District, a component unit of Marshall County, Tennessee, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 12, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Marshall County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County Emergency Communications District's internal control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-1 that I consider to be a significant deficiency.

## **Compliance and Other Matters**

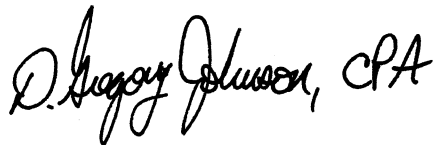
As part of obtaining reasonable assurance about whether the Marshall County Emergency Communications District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2014-2.

## **Marshall County Emergency Communications District's Response to Finding**

Marshall County Emergency Communications District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive, flowing style.

D. Gregory Johnson, CPA  
Columbia, Tennessee  
February 12, 2015

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2014**

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**Finding 2014-1 – Segregation of Duties**

**Condition and Criteria:** The District has a limited staff (one full-time employee) and consequently is unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. Internal controls should be in place, which provide reasonable assurance that funds of the District are properly safeguarded and recorded. (This was also a finding at June 30, 2013.)

**Effect:** The absence of appropriate segregation of duties enhances the possibility that assets may be misappropriated and material misstatements may go undetected.

**Recommendation:** I recognize that due to the size of the staff, management is limited in adequate segregation of duties and functions within the accounting system. However, management can improve internal control procedures by requiring as much separation of duties as possible and by involving others from the Board of Directors in the review of transactions and bank reconciliations.

**Management's Response:** *The Board understands the impact of this deficiency in internal control and realizes that there is no practical way to remedy the shortage of personnel. Steps have been taken for the Treasurer to review all receipts prior to deposit and to closely monitor the financial condition and results of the operations. The Administrative Assistant has no control over signing checks or transferring funds. The Board reviews all transactions at the monthly board meetings and approves all expenditures before they are made if they are not a regular recurring item. Dual signatures are required on all disbursements. All disbursement checks have invoices attached to them for the Treasurer to monitor at the time of signing checks. The Board also receives a monthly financial report which details all revenues and expenditures. Effective January 2015, all surcharge revenues from telephone companies that have been paid to the districts in the past will be paid directly to the TECB as stipulated in the new 911 Funding Modernization Act. The TECB has already calculated the base funding for each district. The TECB will use this calculation to distribute and direct deposit these revenues into the districts' bank accounts bi-monthly with the first direct deposit beginning February 2015.*

**Finding 2014-2 – Capital Expenditures Exceed the Budget**

**Condition and Criteria:** The District exceeded budgeted amounts in its capital expenditures due to an inadvertent amendment in error which created an over expenditure. According to Tennessee law, the District cannot expend moneys regardless of their source except in accordance with a budget previously adopted. The law further states that nothing limits the Board of Directors from amending a budget after adoption.

**Effect:** State statutes, charters and local ordinances assign the responsibility of the budgeting process and establish budgetary authority for expenditures. To avoid possible conflict, officials should authorize all expenditures either in the original budget or in an amendment.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
YEAR ENDED JUNE 30, 2014**

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*Recommendation:* The Board of Directors should insure that it reviews and monitors on a monthly basis, as required by law, the actual-to-budget comparisons and adopt amendments to its budget when unexpected departures from its fiscal plan are anticipated.

*Management's Response:* In March 2014 the budget was amended to correct line item 1308 (communications equipment) to \$193,767.70. The yearend amended budget was prepared prior to May 30, 2014. Unfortunately, there was a clerical oversight because the amended budget was prepared prior to check number 3840 (PowerPhone in the amount of \$9,981.40) and check number 3849 (InterAct in the amount of \$32,380) being posted to the general ledger. After reviewing the amended budgets, the Board realizes that the budget was amended in March of 2014 to include \$193,767.70 in line item 1308, and then in June because of the oversight the Board approved a change in line item 1308 to reduce this line item to \$151,546.30 which resulted in an error and an over expenditure of \$42,221.40. Line item 1308 should not have been amended in June 2014. It should have remained at the \$193,767.70 as amended in March 2014.